

STATE OF INDIANA



INDIANA UTILITY REGULATORY COMMISSION
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FILED

SEP 28 2005

INDIANA UTILITY
REGULATORY COMMISSION

APPLICATION OF PSI ENERGY, INC. FOR)
APPROVAL OF A CHANGE IN ITS FUEL)
COST ADJUSTMENT FOR ELECTRIC)
SERVICE, FOR APPROVAL OF A CHANGE)
IN ITS FUEL COST ADJUSTMENT FOR)
HIGH PRESSURE STEAM SERVICE, AND)
TO UPDATE MONTHLY BENCHMARKS)
FOR CALCULATION OF PURCHASED)
POWER COSTS IN ACCORDANCE WITH)
INDIANA CODE 8-1-2-42.3 AND VARIOUS)
ORDERS OF THE INDIANA UTILITY)
REGULATORY COMMISSION)

CAUSE NO. 38707-FAC61S1

IN THE MATTER OF THE COMMISSION'S)
INVESTIGATION, UNDER IC 8-1-2-58 AND)
59, INTO THE PROPOSED TERMINATION)
OF THE OPERATING AGREEMENT)
BETWEEN PSI ENERGY, INC. AND)
CINCINNATI GAS & ELECTRIC COMPANY)
APPROVED BY THE COMMISSION)
MARCH 29, 1994)

CAUSE NO. 41954

RESPONDENT: PSI ENERGY, INC.)

PETITION OF PSI ENERGY, INC. FOR)
AUTHORITY TO INCREASE ITS RATES AND)
CHARGES FOR ELECTRIC SERVICE; FOR)
APPROVAL OF NEW SCHEDULES OF RATES)
AND CHARGES AND OF RULES AND)
REGULATIONS APPLICABLE TO SUCH)
RATES AND CHARGES; FOR THE)
AUTHORITY TO REFLECT ITS QUALIFIED)
POLLUTION CONTROL PROPERTY AND)
OTHER NEW PLANT AND EQUIPMENT IN)
ITS RATES AND CHARGES; FOR APPROVAL)
OF ITS IMPLEMENTATION OF THE)

CAUSE NO. 42359-S1

**FEDERAL ENERGY REGULATORY)
COMMISSION'S SEVEN-FACTOR TEST; FOR)
APPROVAL OF VARIOUS RATE TRACKING)
MECHANISMS, INCLUDING A PROPOSED)
MIDWEST INDEPENDENT TRANSMISSION)
SYSTEM OPERATOR MANAGEMENT COST)
ADJUSTMENT RIDER AND CONTINUED USE)
OF A PURCHASED POWER TRACKING)
MECHANISM; AND FOR APPROVAL OF)
RELATED ACCOUNTING TREATMENT AND)
DEPRECIATION RATES AND OTHER)
ACCOUNTING RELIEF RELATIVE TO ITS)
BUSINESS)**


You are hereby notified that on this date the Indiana Utility Regulatory Commission ("Commission") has caused the following entry to be made:

The Presiding Officers now find that PSI should file written answers to the following questions by NOON Monday, October 3, 2005:

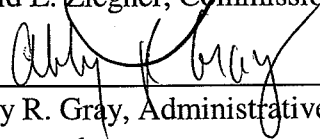
1. Mr. Hoffman describes the "stickiness" quality of the treated fuel in Petitioner's Exhibit 3, pg. 3-4. Please provide detail/discussion on any performance enhancing characteristics of the synfuel.
2. Mr. Hoffman describes the unknown maintenance issues associated with the use of the synthetic fuel in Petitioner's Exhibit 3, beginning on page 5. Please provide detail/discussion on any formal risk analysis conducted to support the use of the specific synfuel which generates the synfuel payments.
3. Mr. Rimstidt replies to the question "How much has PSI received in payments from the synthetic fuel producers?" that "As of December 31, 2004, we received \$20.277 million, a portion of which (approximately \$2.5 million) is Wabash Valley and IMPA's share of these payments due to their ownership interest in Gibson Unit 5." Petitioner's Exhibit 4, pg. 4. Has PSI credited the actual cost of fuel with these payments in any FAC proceeding? If not, please identify the source of the authority upon which these payments were excluded or deferred.
4. Mr. Hoffman notes that PSI has already undertaken incremental maintenance as a result of the synthetic fuel use. Petitioner's Exhibit 3, pg. 5. Please detail how PSI determined the amount of incremental maintenance cost attributable to the use of synfuel. If this process will be different for future cost allocation please describe how and why?
5. Will the proposed PSI retained synfuel payment amounts be accounted for above or below the line for jurisdictional purposes?

6. Provision 2.3.4 states that PSI assumes all risks for the maintenance of the generating units as a result of using synfuel. Please describe what types of maintenance activities, materials and supplies that provision would cover.
7. If the use of synfuel would cause or contribute to the forced outage of one of PSI's generating units, what costs, if any, would Provision 2.3.2 cover to bring the unit back online? Would the cost of purchased power necessary to replace the offline unit be included? Why or why not?
8. Does the escrow account for synfuel payments accrue interest? If yes, what is the interest rate and is the interest included in the \$20+ million shown in the account? If the interest is not included in the \$20 million what does PSI propose to do with those funds? If no interest is accruing, why not?

IT IS SO ORDERED.



David E. Ziegner, Commissioner



Abby R. Gray, Administrative Law Judge

Date: September 28, 2005